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BATTLING URBAN ILLS: DETROIT'S LESSONS

25 years after the city's riots, non-profits that had big ideas for change say they are thwarted by forces beyond their control

By KRISTIN A. GOSS
and STEPHEN G. GREENE

DETROIT

TWENTY-FIVE YEARS AGO THIS SUMMER, five days of bloody race riots here shook Detroit's collective conscience, and community leaders set forth an ambitious plan to make the city a model of harmony and opportunity.

Philanthropic dollars poured in, corporations made new social investments, the nation's first urban-coalition organization was created, and dozens of community groups sprang up—all to improve economic, social, and educational conditions for the city's poor and disenfranchised.

Despite those bold and well-financed efforts, most community leaders believe that Detroit is worse off today than at any time in its history. Since the 1967 riots, federal aid for social programs has plummeted, financial troubles at the Big Three auto makers have undermined the city's economy, many middle-class families and businesses have fled to the suburbs, and such new problems as AIDS and crack cocaine have placed unprecedented strains on city services.

As organized philanthropy turns its attention to Los Angeles—where recent riots left more than $775-million in damage and more than 50 people dead—Detroit's history serves as a cautionary tale, yielding as many questions as answers about the extent to which non-profits can make deep, lasting improvements in the lives of big cities.

GLENN TRIEST, FOR THE CHRONICLE

The Rev. William T. Cunningham, of Focus: Hope, which he helped found to work toward racial equality in Detroit nearly 25 years ago: "A riot is an opportunity. That's the way Detroit used the riots of '67." See story on Page 13.

Settling for Scattered 'Neighborhood Victories'

Among the lessons from Detroit that could guide Los Angeles and other cities facing urban discord:

► Without a strong local economy and significant government support, non-profits and foundations can expect to fight a losing war on social problems that will include only scattered "neighborhood victories," in the words of one Detroit non-profit leader.

► To the extent that they can make a difference, foundations and non-profits should spend as much time and money developing programs to teach skills—such as those needed to raise children or to secure a well-paying job—as they do to promote understanding among different races or to raise self-esteem of young people.

► Because urban crises often allow good ideas to bubble to the surface, efforts should be made to include welfare mothers, members of youth gangs, and others who traditionally have been left out of discussions of community needs, and to provide management and technical support to community groups

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Japan's Ryoichi Sasakawa (*above*) is giving away hundreds of millions of dollars, but his reputation makes some non-profits wary of his largesse. Story on Page 6.

Rising Health-Care Costs
Non-profits' health-insurance premiums have gone up more than 80 per cent in the last three years, even faster than other health-care costs, according to a new study. Some charities have had to limit services to pay the bill and others have asked employees to bear more of the cost. Story on Page 33.

Views of United Way Donors
One-fourth of United Way donors say they will reduce or stop their donations unless the organization makes some changes in its management. Story on Page 27.

Changes for the Arts
Many corporations will give less to the arts in the years ahead, but most foundations will increase their grants or hold them steady, a Foundation Center survey has found. Story on Page 11.

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GLENN TRIEST, FOR THE CHRONICLE

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35 The Boy Scouts have lost more financial support because of their policies on admission of homosexuals and atheists.

35 The Justice Department has subpoenaed records of 13 United Way spinoff organizations.

36 Non-profits' income is growing faster than the economy as whole, says an IRS report (Tax Watch).

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About the Arts

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32 **Books:** A summary of *Inventing the Nonprofit Sector*, a book of essays by Yale's Peter Dobkin Hall on issues affecting non-profits, as well as listings of other new books.

40 **Letters** on salaries of charity leaders, leadership at the Ford Foundation, New York City's campaign for federal workers, and inequities in how United Way funds are allocated.

39 **Awards:** Honors for people and organizations in philanthropy.

Correction

Based on incorrect information supplied by United Way of America, an article on the results of the organization's survey of the services local United Ways considered essential inaccurately described the service that received the lowest ranking (May 19). Of 74 services listed on the survey, United Way International was considered "very essential" by the fewest number of respondents.

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Many Corporations Plan to Decrease Their Contributions to the Arts, Study Finds

Many corporations plan to reduce the share of their contributions that goes to arts groups in the next five years, but most private foundations expect little change in their spending patterns, according to preliminary results of a new study by the Foundation Center.

Among private foundations, 86 per cent said they expected that the share going to the arts would remain the same or increase. At corporations, however, 44 per cent of the grant makers said that the arts would receive a declining portion of the their grants. Another 44 per cent said the share going to the arts would remain the same.

The Foundation Center based its analysis on results from a survey of 182 grant makers and 130 officials of arts groups. The survey, conducted on behalf of Grantmakers in the Arts, a group of foundation and corporate-giving officers, also found that both groups believed that foundations and corporations give too much money to large, well-established arts organizations.

Too Much for New Programs

Both groups also say they think grant makers put too many dollars into supporting new programs and don't give enough to finance the basic operations of arts groups.

Among the other areas of agreement between grant makers and arts officials:

► Asked to name the major problems in arts fund raising, both said that competition between arts groups and other types of organizations was paramount. The second most frequently cited concern was the competition for funds between arts organizations.

► About 80 per cent of both grant makers and grant seekers said the most important public issue facing the arts was a decline in state and local government financial support. The second most frequently cited issue: the controversy surrounding federal aid for art that some people call obscene.

► One of the most critical financial needs facing non-profit arts groups is the need for unrestricted operating support, cited by 93 per cent of the arts officials and 61 per cent of the grant makers.

Some Disagreement

In spite of those similarities, some key differences also emerged:

► Some 52 per cent of the arts groups mentioned the need for endowment funds, but only 19 per cent of the grant makers said they believed that building the endowments of arts groups was critical.

► Foundation officials said they were concerned with efforts that would lead to long-term stability of arts groups, such as expanding their audiences and planning for long-range efforts. Arts officials, on the other hand, were more interested in satisfying immediate needs, such as increased salaries for administrators and artists, among other things.

Asked to rank the programs that would receive greater emphasis in the future, grant makers cited performing-arts programs (54 per cent), museum activities (43 per cent), and arts education (20 per cent).

A full report of the study is expected to be released by the end of the year.

For more information, contact Loren Renz, Director of Research, the Foundation Center, 79 Fifth Avenue, New York 10003; (212) 620-4230. —VINCE STEHLE

How Grant Makers and Grantees View Issues in the Arts

	Grant makers	Grantees
Arts Groups' Greatest Needs		
Unrestricted operating support	60.9%	92.7%
Audience development	23.7	21.2
Long-range and strategic planning	21.8	16.7
Endowment	18.6	52.3
Individual artists	16.7	28.8
Program support	16.0	8.3
Administrative salaries	8.3	37.9
Artistic salaries	8.3	34.8
Internships and apprenticeships	—	34.1
Creating and commissioning new works	7.1	31.1
Biggest Criticisms of Grant Makers		
Imbalance in grants, favoring larger, more established groups	36.1%	27.7%
Over-emphasis on new programs rather than basic support	22.2	31.9
Cultural, ethnic, and racial bias	8.3	2.5
Reluctance to support risky or controversial works	8.3	5.0
Unrealistic expectations of grantee self-sufficiency	8.3	9.2
Short-term rather than long-term support	8.3	14.3
Worst-Financed Arts Fields		
Arts education	25.4%	43.0%
Modern dance	25.4	17.2
Cultural and ethnic awareness	16.9	28.1
Literature and creative writing	13.4	18.8
Arts policy and research	13.4	7.8
Printing and publishing	12.7	25.8
International cultural exchange	2.1	24.2
Multimedia and performance art	7.0	23.4
Arts alliances, coalitions, and advocacy	12.7	21.9
Best-Financed Arts Fields		
Symphony orchestras	50.7%	51.4%
Museum activities	39.0	27.1
Art-museum activities	36.8	29.9
Performing arts	24.3	11.2
Opera, light opera, and musical theater	22.8	34.6
Ballet	10.3	29.0
Most Important Public Issues		
Government cutbacks and restructuring	80.5%	78.0%
Obscenity and censorship	59.8	61.4
Standards of quality	41.4	44.7
Economic viability of the arts in general	31.0	30.3
Declining arts audiences	29.9	17.4
Pluralism and cultural diversity	21.8	22.0
Most Important Issues in Grant Making		
Competition for funds between arts and other fields	67.6%	55.9%
Competition among arts groups seeking funds	42.8	19.7
Capacity of grant makers to take risks	26.0	40.2
Quality of proposals from grant seekers	17.9	2.4
Ability of grant makers to make informed decisions	14.5	15.0

SOURCE: The Foundation Center

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Trends and Ideas

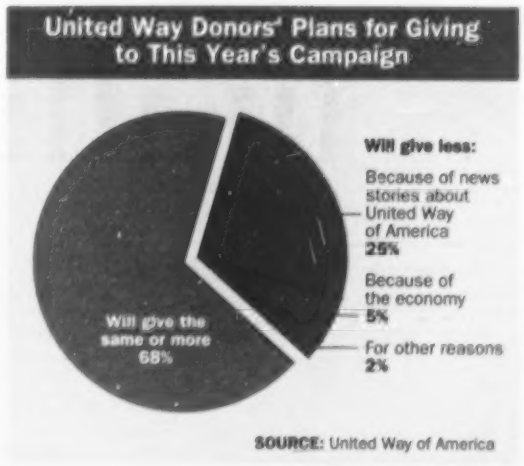
United Way's Troubles: What Donors Say

Poll finds most still view the charity favorably, but 25% plan to give less if management does not improve

By BRUCE MILLAR

TWENTY-FIVE PER CENT of people who have previously donated to United Way campaigns say they plan to reduce their gifts unless United Way of America demonstrates that it has taken concrete steps to improve its management and financial practices, according to a new poll.

The poll, conducted for United Way of America, asked 1,004 people who gave to 1991-1992 United Way campaigns how their giving patterns would be affected by news accounts detailing how William Aramony, the former president of United Way of America, frequently flew first-class on airplanes, took limousines, and arranged for his friends to get lucrative jobs at United Way spinoff organizations. Mr. Aramony, who resigned in February, has denied any serious improprieties.


United Way Donors' Plans for Giving to This Year's Campaign
Will give less:
Because of news stories about United Way of America
25%
Because of the economy
5%
For other reasons
2%
Will give the same or more
68%
SOURCE: United Way of America
CHRONICLE CHART BY JOJO GRAGASIN

Donors Want Gifts to Go to the Needy

Only 5 per cent of those people who said they were considering reducing their gifts said they were so angry that they would give less no matter how much United Way of America did to demonstrate that it had tightened its management. The others said they would change their minds if they were reassured that United Way of America had overhauled its operations.

Many of the donors said they wanted to be sure that most of their gifts were being used to help needy people and that they wanted more specific information on how their contributions were being allocated.

"It's a two-way story," said Robert O'Connor, United Way of America vice-president for research services. "Yes, there is a lot of damage, but we in the United Way movement have a chance to redeem ourselves if we do the right things in the fall."

No matter how much United Way of America does to calm donors, the economy may also dampen giving: 5 per cent of those polled said they would give less to United Way because of financial woes. An additional 2 per cent cited reasons other than the economy or the United Way of America controversy in explaining why they would reduce their giving.

Contributions to the 1991-1992 United Way campaigns are barely keeping pace with inflation, but donations are expected to exceed last year's $3.1-billion, according to Tony De Cristofaro, a United Way of American spokesman. United Way of America plans to release the amount raised by the drives later this month.

Seventy per cent of the poll respondents had seen or heard news reports about United Way, and those reports caused people to have a less-favorable view of United Way.

Among all respondents, those who said they had a "very favorable" or "somewhat favorable" view dropped from nearly 80 per cent in a similar poll conducted in October 1990 to 70 per cent in April 1992. Correspondingly, people with a "very unfavorable" or "somewhat unfavorable" view of United Way increased from 14 per cent to 26 per cent during the same period.

People who had seen or heard the news reports had an even less favorable view of United Way, with 33 per cent saying they had a "very unfavorable" or "somewhat unfavorable" view.

Chief Concern Is How Funds Are Managed

While 40 per cent of respondents said that most of the news items they had heard or seen dealt with Mr. Aramony, only 20 per cent said that his leadership was the issue that concerned them the most, the report said.

Instead, the issue of greatest concern, cited by about 46 per cent of the respondents, was how contributions were managed. They said they were worried about whether their contributions were being used for administrative expenses and not charitable purposes, how the money was distributed, and whether adequate safe-

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Economy, Not Controversy, Reduces Donations to United Way's Only Spring Campaign

DISAPPOINTING FUND-RAISING RESULTS from the only United Way that holds a spring campaign suggest that the tight economy—not controversy surrounding United Way of America—may be the biggest worry for local United Ways during this fall's fund-raising drives.

At the United Way of Greater Rochester in New York, contributions this spring dropped to $35.4-million, or about 5 per cent below last year's $37.3-million and more than $3.1-million short of this year's goal.

United Way officials said the drive was hurt primarily because the region lost 7,000 manufacturing jobs, including those of 5,000 senior managers at Eastman Kodak who accepted special early-retirement packages. Those managers had each given, on average, $300 per year.

Campaign officials said the second most important reason for the downturn was a controversy over United Way support of a Planned Parenthood affiliate in Rochester that is planning to open an abortion clinic. Abortion opponents sent the United Way 3,000 "non-pledges," or refusals to donate. Joseph G. Calabrese, president of the United Way of Greater Rochester, estimated that the dispute cost about $500,000 in donations.

"People view us as big business and we need to personalize what we do for folks. I think we need to get out and work with agencies delivering meals on wheels and gleaning for food banks."

The campaign chairman, William F. Fowble, a senior vice-president at Eastman Kodak, estimated that the controversy about the management practices of William Aramony, United Way of America's former president, reduced giving by less than 1 per cent.

Added Mr. Calabrese: "It's far and away the least of our problems, quite frankly."

Both Mr. Calabrese and Mr. Fowble said they based their assessment on comments made to them during dozens of fund-raising events.

The Rochester campaign is always closely watched by United Way officials across the country because they believe it is a good barometer for fall fund-raising campaigns. This year's Rochester drive was considered especially significant because it was the first campaign begun after a United Way of America investigation into allegations about Mr. Aramony's spending and management practices. A report on the investigation released in April, two days after the Rochester campaign began, included criticism of Mr. Aramony's use of first-class air travel and limousines and gifts to friends. Mr. Aramony has denied serious improprieties.

Mr. Calabrese said local reaction to the controversy over United Way of America, the trade association that represents local United Ways, had been minimal. He said the Rochester United Way had received fewer than two dozen pledge cancellations and fewer than 10 letters about the issue.

Mr. Calabrese attributed the lack of concern to his United Way's tradition of staying independent from United Way of America. The United Way of Greater Rochester was one of the last United Ways to join the United Way of America network, in 1980, "so most people already know that we're different," he said.

Group Votes to Resume Paying Dues

He said another reason for the mild public reaction was that campaign officials highlighted the value of services such as publications, donations of company products, and National Football League public-service announcements that the Rochester United Way received from the Alexandria, Va.–based United Way of America.

"We feel that we get $10 in service or actual return for services for every $1 we send to Alexandria," Mr. Calabrese said.

The Rochester United Way's board last week voted to reinstate dues payments of $285,000 for 1992 to United Way of America. Many United Ways, including Rochester, had voted to suspend dues payments to the national organization because of concerns about management practices.

Mr. Calabrese did offer some advice to local United

Continued on Page 28

Regulators Urge Watchdog Role for Coalitions

Some state regulators want coalitions of non-profits and fund raisers to do more to increase public confidence in philanthropy, according to a new report by the American Association of Fund-Raising Counsel.

The AAFRC, which represents many of the largest fund-raising-consulting firms, based its report on interviews with regulators from 25 states. The group said it conducted the interviews to find out more about regulators' concerns and to get a better understanding of how state laws are enforced.

Most regulators had few concerns about what they called "legitimate" charities, the report said. But many officials were worried about how much some non-profits were spending on fund raising, and expressed alarm about those groups' telemarketing and direct-mail practices.

One regulator said some smaller charities hire fund raisers that charge as much as 90 per cent of the donations they collect as their fees and expenses.

The identities of the regulators were not revealed.

One state official said that organizations of fund raisers and charities should do more to help regulators fight groups that bend or break the law. "States are understaffed, and the best they can do is handle a small portion of the problem," the official said. "The average donor can't distinguish the beneficent from the malicious. The private sector should help to educate the giving public."

The official said that organizations such as the AAFRC "have to be in the forefront, helping to identify the causes of the problems."

"I read nice reports on ethics and values, but I don't see any concerted action," the official added. "When organized fund raising [and] charity do not speak out, they encourage public skepticism."

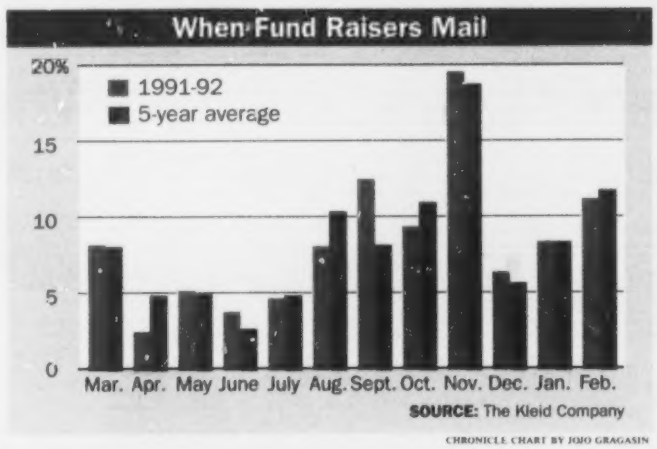
Another state official urged the AAFRC and other groups to help small charities that "become lost" and "end up in the hands of the disreputable" fund raisers that charge too much and drain charities' revenues.

Law School Courses Sought

The nation's law schools should offer more instruction about charities in their required curriculum, said a regulator from another state. Such instruction would "go a long way towards sensitizing future lawyers and future attorneys general about charitable legislation, statutes, and enforcement to protect the public," the official said, adding that the AAFRC should encourage donations to law schools for this purpose.

Copies of "State Charity Officials' Concerns About State Laws Governing Charitable Organizations, Activities of Charities, and Charitable Solicitations," are available for $25 from AAFRC, 25 West 43rd Street, Suite 820, New York 10036. —GRANT WILLIAMS

IN BRIEF: Fund Raising



CHRONICLE CHART BY JOJO GRAGASIN

Nov. Is Most Popular Month for Sending Appeals

November continues to be the most popular month for non-profits to send out their fund-raising appeals, according to a new report.

For the past five years, more fund-raising appeals have been sent out in November than in any other month, according to the Kleid Company, a New York firm that each year monitors "seasonality" trends for direct mail. The company based its findings on purchase orders from about 2,500 non-profits and others that rent mailing lists offered by the company.

As in previous years, the fewest fund-raising appeals were sent out in April, May, and June.

For a free copy of "Seasonality Study, Update 16," contact the Kleid Company, 530 Fifth Avenue, New York 10036; (212) 819-3400.

National Public Radio Starts New Fund-Raising Unit

National Public Radio has announced that it is creating a new fund-raising unit. The unit is likely to help the organization start a major capital campaign in 1995.

The campaign would coincide with NPR's 25th anniversary. The drive is expected to raise money for capital projects, including purchase of a new building, and the creation of an endowment fund.

Several newspaper accounts have reported that the campaign's goal would be about $100-million, but Barbara Hall, vice-president for development, said no goal had been set.

NPR officials say that they need to intensify their fund raising because some of the network's member radio stations can't afford to pay increased dues, the existing operating budget does not have enough money to develop new programs, and the organization has outgrown its current office space.

N.Y. Settles Lawsuit Over Fund-Raising Appeals

In a settlement reached last week with the New York Attorney General's Office, Watson and Hughey, a fund-raising consulting firm based in Alexandria, Va., and five of its non-profit clients have agreed to offer to return money to donors who responded to mailings that state regulators say were deceptive.

Attorney General Robert Abrams sued the company and its clients last fall, charging that Watson and Hughey had violated the terms of an agreement reached in January 1991 with New York and nine other states that had accused the company of running a series of deceptive direct-mail sweepstakes.

Under the latest settlement, the company did not acknowledge any wrongdoing, but it and its clients have agreed to send a letter to all 25,000 donors offering to return their money.

Defendants named in the suit will also pay a total of $5,000 to the state to cover expenses of the lawsuit.

Leslie Gersing, a spokeswoman for the New York Attorney General's Office, said the company solicited 25,000 donors over eight months on behalf of the non-profits named in the suit. She estimated that the company collected between $5,000 and $6,000 from the mailings in question.

Byron C. Hughey, co-owner of the firm, declined to comment.

Yale Drive Continues as Chief Steps Down

Less than a month after announcing the start of the most ambitious fund-raising campaign by a non-profit, Yale University's president, Benno C. Schmidt, last week surprised the institution's trustees by offering his resignation.

Yale officials say that the fund-raising drive will continue unabated, but some fund raisers from other institutions said they expected Mr. Schmidt's departure to cause trouble. Mr. Schmidt, who raised more than any other president in Yale's history, was widely considered to be a very good fund raiser.

"It's full speed ahead," said Terry M. Holcombe, vice-president for development and alumni affairs at Yale. Mr. Holcombe pointed out that during the last campaign at Yale, a five-year, $370-million effort that ended in 1978, the institution had three different presidents. Besides, he said, "I don't think anyone really expected him to stay for the whole campaign anyway."

Most Donors Still View United Way Favorably

Continued from Page 27

guards were in place to prevent inappropriate spending, Mr. O'Connor said.

Half of all respondents said the news reports caused them to take a negative view of their local United Way. Of those who were aware of news reports, 50 per cent said their opinion of their local United Way was "much more negative" or "somewhat more negative." About 42 per cent said their opinion was unchanged.

"This is a source of concern," said Mr. O'Connor. "But we think that once people have realized we have fixed the problem they will revise their opinion."

Respondents to the survey recommended broad changes for United Way of America. When asked for their recommendations in an open-ended question, the six most frequent responses were that the organization should:

► Provide more information to the public on how contributions are used (21 per cent).

► Remove all executive staff members who were associated with problems reported during Mr. Aramony's tenure (17 per cent).

► Monitor spending on administrative expenses more closely through audits and by establishing a checks-and-balances system (15 per cent).

► Provide more publicity about the good work it does and apologize for mistakes made during Mr. Aramony's tenure (15 per cent).

► Distribute money where it is needed (12 per cent).

► Reduce the number of staff members and cut spending on management salaries and expenses (12 per cent).

Changes for Local Groups

Respondents to the poll said local United Ways could regain their confidence by taking these steps:

► Provide more information to the public about how contributions are used (31 per cent).

► Distribute more donations to those in need (15 per cent).

► Do more to publicize the positive work they do (13 per cent).

Only 7 per cent of all respondents recommended that local United Ways should end their affiliation with United Way of America or refuse to pay membership dues to the organization.

Mr. O'Connor said the survey results were "broadly consistent" with similar surveys conducted by United Way organizations in several states.

He said that the survey results had prompted United Way of America and some local United Ways to make a greater effort to tell the the public more about how contributions are being used.

The survey was based on a national random sample. It was conducted from April 9 through April 21 through telephone interviews by the Response Center, a Philadelphia-based market-research company. The 1,004 respondents worked for companies that conducted United Way campaigns during 1991 or 1992 or had spouses who worked for such companies. The survey has a margin of error of plus or minus three percentage points.

Free copies of the report can be obtained from Martha Taylor, Director of Market Research, United Way of America, 701 North Fairfax Street, Alexandria, Va. 22314; (703) 836-7100.

Interest Rates for Planned Gifts

Following are the interest rates, provided by the Internal Revenue Service, for computing charitable deductions for charitable remainder trusts, gift annuities, charitable lead trusts, and some other deferred gifts.

July 1991	9.6%
August	9.8
September	9.6
October	9.0
November	8.6
December	8.6
January 1992	8.2
February	7.6
March	8.0
April	8.4
May	8.6
June	8.4

SOURCE: PG Calc Inc.

Economy, Not Controversy, Reduces Donations to United Way Campaign

Continued from Page 27

Way leaders looking for ways to overcome negative public reaction to the United Way of America controversy.

He urged them to stress the fact that donors were giving money primarily to programs that will benefit their own communities. He advised campaign officials to emphasize that when donors reduce their gifts they hurt their own co-workers, neighbors, and families—not the employees of United Way of America.

Mr. Calabrese also recommended that local United Way leaders strive for a "softer image" by demonstrating their role in supporting charities that serve the needy.

"I think people view us as big business and we need to personalize what we do for folks," he said. "I think we need to get out and work with agencies delivering meals on wheels and gleaning for food banks. You need to be out there with people so they can touch and feel you, so they can recognize that we're not a monster and that we're not cold and uncaring."

—BRUCE MILLAR

Conn. Charities Increase Their Share of Money Raised by Professional Phone Solicitors

Connecticut charities and civic organizations received a larger percentage of the money raised for them by professional telephone solicitors in 1991 than in the previous year, according to a new study by state regulators.

The report said that charitable and civic groups wound up with an average of 26.8 cents of each dollar donated in 1991, up from 23 cents in 1990.

When donations to police and firefighter organizations were included, a slightly different picture emerged: Organizations received about 29.3 cents of each dollar, up from 27.9 cents.

"Despite the improvement, the percentage is still much too low; it should be at least 50 per cent," said Richard Blumenthal, Attorney General of Connecticut.

"Charitable and civic organizations plainly must drive a harder bargain with the paid solicitors," added Mr. Blumenthal. "Too many organizations are receiving too little of the money contributed in their names—in the name of charity."

The report is based on the fifth annual study of fund-raising costs of non-profit organizations conducted by Connecticut's Public Charities Unit, which is a joint program of the Attorney General's office and the Department of Consumer Protection.

Use of Paid Telephone Solicitors by Connecticut Non-Profits

Year	Number of charities	Gross amount raised	Net received by charity	Percentage received by charity
1987	134	$8,615,340	$2,289,563	26.6%
1988	157	8,916,695	2,283,409	25.6
1989	172	10,701,729	2,811,652	26.3
1990	137	9,311,258	2,600,435	27.9
1991	129	8,876,856	2,596,798	29.3

Charitable and Civic Organizations Only*

Year	Number of charities	Gross amount raised	Net received by charity	Percentage received by charity
1987	46	$2,975,515	$782,677	26.3%
1988	59	2,884,163	643,491	22.3
1989	64	3,473,096	732,234	21.1
1990	54	3,673,961	844,075	23.0
1991	44	3,213,418	861,649	26.8

* Excludes police and firefighters' groups.

SOURCE: Connecticut Public Charities Unit

Highest in 5 Years

The report said that $861,649 of the $3.2-million collected in 1991 actually went to the 44 charities and civic groups to which donors contributed. The remaining $2.4-million paid for fees and expenses charged by professional fund raisers, the report said. In 1990, $844,075 of the $3.7-million collected wound up with 54 charities and civic groups; the remaining $2.8-million was spent on fund raising.

The 26.8-per-cent share of receipts that was kept by charities and civic groups in 1991 was the highest recorded in the five-year history of the survey. The lowest was 21.1 per cent in 1989.

The report also said that the number of Connecticut charities and civic groups that use paid solicitors had decreased, from 64 to 44—or 31 per cent—since 1989.

"We think that much of the decline is due to some of these smaller groups' being more sensitive to the down side of hiring paid telephone solicitors," said David Ormstedt, Assistant Attorney General of Connecticut.

Mr. Blumenthal said organizations had become better informed about hiring paid solicitors because of publicity generated by the state's annual report and by notices the state had sent to the press to inform the public about nonprofits' fund-raising plans.

Connecticut law allows the Public Charities Unit to require solicitors to submit copies of contracts between charities and fund raisers that disclose the minimum amount charities are guaranteed to receive from campaigns. The state makes the contracts available to the public, along with financial profiles of charities.

More Out-of-State Groups

The report also said that more and more out-of-state charities are soliciting donations by telephone from residents of Connecticut. In general, those out-of-state groups kept a larger percentage of the amount donated—an average of 43 per cent—than did groups in Connecticut.

Free copies of the report, "Telephone Fund Raising 1991," are available from the Connecticut Public Charities Unit, 55 Elm Street, Hartford, Conn. 06106.

—GRANT WILLIAMS

Campaign Update

Status and recent results of drives for endowments and capital improvements

	Started or announced	To conclude	Goal	Amount raised
Baptist Children's Homes of North Carolina	Jan. 1990	March 1992	$11,000,000	$11,200,000
Bridgewater College (Va.)	April 1992	2000	60,000,000	15,000,000
Broward Community College Foundation (Fla.).	Jan. 1989	Dec. 1991	2,500,000	2,600,000
Children's Museum of Maine	Spring 1991	Summer 1992	2,500,000	1,035,000
Community Preparatory School (R.I.)	Dec. 1990	Dec. 1995	1,800,000	1,360,000
Georgia Southern U.	July 1990	July 1995	15,000,000	9,500,000
Illinois Wesleyan U.	May 1992	May 1997	58,000,000	30,100,000
Kansas State U.	July 1988	June 1993	125,000,000	130,000,000
Marist School (Ga.)	Aug. 1990	Aug. 1993	5,200,000	5,700,000
Museum of Contemporary Art, San Diego	April 1992	1995	10,500,000	7,088,418
Northeastern U., College of Business Administration (Mass.)	Feb. 1992	Winter 1993	4,500,000	2,000,000
Shawnee Mission Medical Center (Kan.)	Feb. 1989	Feb. 1992	2,500,000	2,512,905
Southeast Missouri U.	Sept. 1990	July 1992	25,000,000	25,487,700
Southwestern Adventist College (Tex.)	Sept. 1989	April 1992	2,250,000	2,285,000
University of the Arts (Pa.)	April 1992	April 1997	27,500,000	14,700,000

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704 Interstate Business Park / Fredericksburg, Virginia 22405

MANAGING

Governance and Regulation

Charities' Soaring Health-Insurance Costs

3-year increase of 84% kept some groups from expanding programs, forced others to ask workers to chip in

By VINCE STEHLE

HEALTH-INSURANCE COSTS for charities jumped 84 per cent between 1988 and 1991, according to a new report by the Families USA Foundation, a non-profit group that deals with health and social-welfare issues.

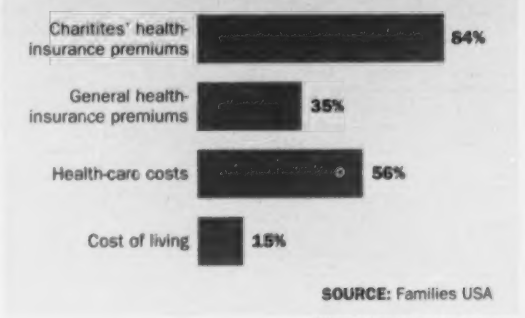
The increases far outpaced inflation, which rose 15 per cent during the time covered by the report.

Even when compared with other health-care costs, which have soared nationwide in recent years, the expenses borne by non-profit groups are high. From 1988 to 1991, overall spending on health care rose 35 per cent nationally, and the cost of health-insurance premiums of all types increased 56 per cent, according to the report.

"Some of the thousand points of light may soon disappear behind a dark cloud of insurance premiums," said Ron Pollack, executive director of the foundation.

The report was based on data from 467 non-profit organizations nationwide and is thought to be the first to document the increasing cost of insurance for non-profit groups.

How Increases in Charities' Health-Insurance Premiums Compare to Inflation, 1988-91



SOURCE: Families USA

CHRONICLE CHART BY JOJO GRAGASIN

Limits on Charities' Ability to Provide Services

The explosion in health-insurance costs is especially difficult for many charities to deal with, the report said. Many groups have had to divert scarce financial resources to pay for employees' health insurance at the same time that the tight economy has caused increasing demand for non-profits' services.

Consequently, about one-third of the groups participating in the survey said that increasing health-care costs had limited their ability to hire more staff members to provide more services.

Over half of the groups said that the rising costs of benefits meant that workers had received smaller salaries than they otherwise would have. As a percentage of payroll expenses, the cost of providing employee health-care benefits rose 27 per cent from 1988 to 1991.

Small Number of Workers Means Higher Costs

The main reason that health-insurance costs increased more for non-profit groups than for businesses or government is that most charities have a small number of workers.

As a result, charities generally face higher administrative expenses for their insurance benefits than do most other employers, Mr. Pollack said. He noted that small businesses saw increases similar to charities' during the years covered by the report.

For charities that employed fewer than six people, the cost of providing "managed care" to workers, either through a health-maintenance organization or another method of limiting the amount and type of care an employee could receive, rose 126 per cent. For groups with between 16 and 30 employees, the cost of providing standard insurance coverage rose 169 per cent.

Beyond the financial cost of health benefits, rapidly escalating premiums have forced many charities to devote a great deal of administrative time and effort to finding and negotiating the best rates possible. Nonetheless, all of the groups that responded to the survey said they provided some form of health-insurance coverage for their workers.

Many groups have instituted cost-cutting measures in their insurance plans to help offset the increasing price. The most common was to seek bids from a variety of insurance companies, an approach used by 82 per cent of the groups. Thirty-seven per cent required their employees to seek a second opinion on certain medical procedures, and 44 per cent required workers to get prior approval for some medical procedures. Only 4 per cent said they had cut back on health-care benefits of the dependents of their employees.

Employees Pay a Larger Share

Nearly half of the groups, 49 per cent, attempted to cut their costs by increasing the share paid by their employees. Some of the groups increased the employee contribution to the premium payments and some raised the deductible, the portion of medical costs an employee must pay before insurance payments begin.

Employee health benefits offered by charities vary greatly, but virtually all of them cover certain costs. Ninety-five per cent said they covered hospital and surgical services, and 94 per cent said they covered the

Continued on Page 34

IRS to Change Charity Tax Form to Get Clearer Picture of Fund-Raising Costs

By GRANT WILLIAMS

WASHINGTON

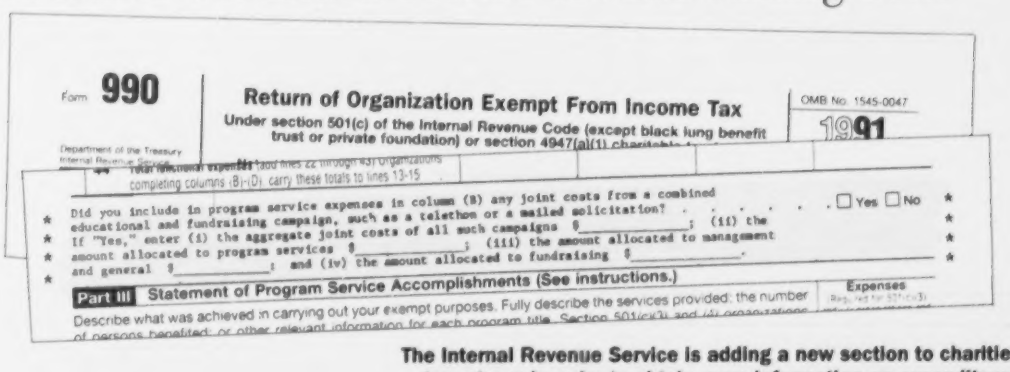
THE INTERNAL REVENUE SERVICE has announced that it plans to make important changes soon in two of the tax forms that non-profits file. The agency also said it hopes that within a few years organizations will be able to file their informational returns by computer.

IRS officials discussed the plans at a "town meeting" for non-profits held here.

The officials said they expected to add a few lines to the Form 990 informational tax return, which many non-profits file each year with the federal government. The changes are intended to give the service a better idea of precisely how much charities spend on fund raising and on charitable programs.

The addition would be made to the form's "Part II: Statement of Functional Expenses," which now asks non-profits to list their expenses in the categories of program services, management and general, and fund raising.

The new language would ask non-profits whether they use an accounting technique that allows them to shift some of their fund-raising expenditures into the category of program expenses, usually as public education. If so, they would be asked to provide details of the allocations.


Form **990** Return of Organization Exempt From Income Tax

Under section 501(c) of the Internal Revenue Code (except black lung benefit trust or private foundation) or section 4947(a)(1) charitable

OMB No. 1545-0047

1991

Department of the Treasury

Did you include in program service expenses in column (B) any joint costs from a combined educational and fundraising campaign, such as a telethon or a mailed solicitation? . . . . . ☐ Yes ☐ No

If "Yes," enter (i) the aggregate joint costs of all such campaigns $_____; (ii) the amount allocated to program services $_____; (iii) the amount allocated to management and general $_____; and (iv) the amount allocated to fundraising $_____.

Part III Statement of Program Service Accomplishments (See instructions.)

Expenses

Describe what was achieved in carrying out your exempt purposes. Fully describe the services provided; the number of persons benefited; or other relevant information for each program title. Section 501(c)(3) and (4) organizations

The Internal Revenue Service is adding a new section to charities' tax returns in order to obtain more information on expenditures.

Howard Schoenfeld, the IRS's special assistant for exempt organization matters, said the change was made partly at the request of state attorneys general.

Many state regulators have been concerned that when making these allocations, often called "joint costs," some charities have abused the accounting technique by overstating their program expenses and understating fund-raising costs.

"At the request of states, and to be in conformity with accounting rules, the service has sought to try to get a clarification of those joint costs," Mr. Schoenfeld said in an interview after the meeting. "There's a public interest in determining what these expenses are, in order to get an indication of how an organization spends its money."

Changes in Unrelated-Business Tax Form

The IRS plans a bigger facelift for the Form 990-T, which is used by non-profits to report their unrelated-business income taxes, known as UBIT. Organizations must pay those taxes on earnings from money-making activities unrelated to their tax-exempt purposes.

The changes are intended to make the forms easier to

Continued on Page 35

Charities' Health-Insurance Plans

	Number of employees						
	Under 6	6-15	16-30	31-50	51-100	Over 100	Total
Types of Plans[1]							
Standard insurance plan	82%	78%	79%	75%	79%	82%	79%
Managed-care plan	33	29	40	40	43	48	39
Self-insured	4	6	2	4	13	27	10
Part insurance and part self-insured	6	7	11	5	22	27	14
Average Monthly Employee Contributions[2]							
Single coverage	$78	$25	$15	$21	$26	$21	$27
Family coverage	145	151	151	147	192	136	152
Services Covered							
Hospital services	93%	93%	94%	93%	98%	99%	95%
Surgical services	93	93	94	93	98	99	95
Physician office visits	75	88	85	79	91	86	85
X-rays and laboratory tests	90	92	94	93	98	99	94
Inpatient mental health	83	84	90	91	89	92	88
Outpatient mental health	75	78	82	84	93	91	84
Dental	57	59	53	63	60	69	60
Prescription drugs	69	68	77	77	82	86	77
Vision	12	16	22	21	26	29	22
Other	33	35	24	35	23	35	31
Rejections of Coverage by Insurance Companies							
Individuals excluded due to illness or physical condition	8%	16%	11%	16%	4%	6%	10%
Individuals denied coverage for pre-existing conditions	18	21	25	25	24	40	27
Entire charity rejected by insurers	29	21	23	33	35	13	25
Average Increases in Premium Costs from 1988 to 1991							
Standard insurance:							
Individual	90%	65%	169%	59%	62%	73%	84%
Family	73	76	77	90	65	130	91
Managed care:							
Individual	126	67	56	67	53	52	60
Family	118	71	65	136	56	53	96
Steps Taken by Charities to Lower Costs							
Sought bids from other insurers	78%	77%	87%	86%	85%	78%	82%
Changed insurance companies	33	35	44	53	40	32	39
Changed type or number of services	33	36	36	35	38	29	34
Raised out-of-pocket costs for employees	45	43	51	44	57	52	49
Cut back on coverage of dependents	4	5	5	5	6	2	4
Initiated a second-opinion program	20	28	33	44	44	49	37
Required prior approval for medical procedures	24	42	41	51	51	50	44
Put restrictions on health-care providers	14	14	14	19	26	21	18
Offered health maintenance organizations	10	11	14	21	24	26	18
Required health maintenance organizations	—	4	7	9	6	2	5
Steps Taken by Charities to Increase Out-of-Pocket Costs for Employees							
Increased contribution for individuals	16%	14%	14%	16%	21%	17%	16%
Increased contribution for families	20	23	27	23	39	31	28
Increased deductible for individuals	35	25	31	23	35	40	31
Increased deductible for families	24	19	27	23	38	37	28
Increased co-insurance percentage	8	6	9	11	13	12	10

[1] Totals in all columns may exceed 100 per cent, as many charities offered more than one plan.
[2] The averages are for groups that required employee contributions. Close to half of all respondents did not require employee contributions toward premiums.

SOURCE: Families USA

Charities Face Soaring Cost of Health Insurance

Continued from Page 33

cost of X-rays and laboratory tests. Dental-care coverage was less common, offered by 60 per cent. Eye examinations were covered by 22 per cent.

Many of the charities reported that their health-insurance policies excluded participation of some employees. Ten per cent of the groups had insurance that rejected some people because of a history of poor health in their families. Some 25 per cent had policies that excluded coverage for people who already had specific illnesses before they tried to get insurance coverage.

Copies of the report, "The Crunch: The Health Insurance Crisis Comes to America's Charities," are available for $5 from the Families USA Foundation, 1334 G Street, N.W., Washington 20005; (202) 628-3030.

ANNUAL REPORTS

OF NON-PROFIT ORGANIZATIONS

COUNCIL ON FOUNDATIONS

1828 L Street, N.W., Suite 300
Washington 20036
(202) 466-6512

Period covered: Year ending December 31, 1991.

Assets: $5,276,526.

Liabilities: $2,165,261.

Income: Grants and contributions, $1,362,292; membership dues, $3,760,414; annual conference, $674,350; workshops and seminars, $375,099; *Foundation News*, $302,439; publication income, $133,346; investment income and other, $529,084; total, $7,137,024.

Expenses: Planning and education, $1,237,042; general member services, $1,322,166; research, $259,669; communications, $843,548; *Foundation News*, $872,256; government relations and administrative affairs, $395,297; administration and management, $702,276; policy and governance, $231,221; Council Initiative program, $166,512; specially financed projects, $1,370,817; Scrivner fund, $12,299; total, $7,413,103.

Notes: Created in 1949, the council is a membership organization that seeks to promote responsible and effective grant making, develop and maintain a supportive environment for philanthropy, encourage collaboration and cooperation among grant makers, and promote the formation of new foundations.

Of its 1,270 members, 53.1 per cent are private foundations, 19.5 per cent are community foundations, 14.8 per cent are corporate-related foundations, 4.8 per cent are public foundations, 4.7 per cent are foreign-based funds, and 3.1 per cent are operating foundations.

In 1991, the council approved creation of a 21-member Task Force on Inclusiveness to promote increased emphasis by grant makers on pluralism in American society, and began a new three-year national project to improve the management and program effectiveness of 22 Regional Associations of Grantmakers.

In July, the council joined with representatives of Canadian and Mexican centers on philanthropy to discuss ways to increase cooperative ventures.

Council researchers began a survey of community foundations to determine the status and management of those foundations' assets, grants, and administrative expenses.

Key officials: James A. Joseph, president and chief executive officer; Lorie Slutsky, chair of the Board of Directors.

INDEPENDENT SECTOR

1828 L Street, N.W.
Washington 20036
(202) 223-8100

Period covered: Year ending December 31, 1991.

Assets: $8,318,748.

Liabilities: $8,026,394.

Income: Membership dues, $2,022,460; annual conference fees, $187,820; contributions and grants, $1,863,096; net investment income, $144,920; publication sales and other, $167,580; total, $4,385,876.

Expenses: Program services, $3,404,553; general management, $408,285; membership development, $277,330; fund raising, $186,681; total, $4,276,849.

Notes: Independent Sector is a membership coalition of over 850 private and corporate foundations and voluntary organizations. It seeks to encourage charitable giving, volunteerism, and non-profit efforts by working on legislative issues and public education, commissioning studies and producing research data, sponsoring forums and workshops, and developing campaigns to increase charitable giving.

In 1991, national voluntary institutions constituted 55 per cent of the organization's membership, and grant makers accounted for the remaining 45 per cent.

That year, the organization undertook a $10-million campaign, "Building for Greater Achievement and Achievements Worth Building For," to raise financial support for specific program priorities over the next three years. By February 1992, a total of $6.6-million had been received.

Independent Sector joined with other organizations to work to defeat an Office of Management and Budget proposal that would have ended non-profit postal rates for certain types of advocacy and educational materials.

The group also put forth four priority tax-advocacy issues that it is pursuing in 1992, including efforts to have charitable deductions excluded from the 3-per-cent floor on itemized deductions.

At the request of several U.S. and European grant makers, Independent Sector and the Council on Foundations began an international study into the need to develop suitable ways to encourage voluntary efforts in other countries and regions in the world.

Key officials: Brian O' Connell, president; Eugene C. Dorsey, chairperson of the Board of Directors.

LITERACY VOLUNTEERS OF AMERICA

5795 Widewaters Parkway
Syracuse, N.Y. 13214-1846
(315) 445-8000

Period covered: Year ending June 30, 1991.

Assets: $1,010,546.

Liabilities: $359,418.

Income: Public support, $1,131,213; sale of publications, $881,181; dues from affiliates, $62,035; annual conference, $59,425; other, $53,866; total, $2,187,720.

Expenses: Program services, $1,491,585; management and general, $237,043; fund raising, $159,632; total, $1,888,260.

Notes: Literacy Volunteers of America is a volunteer-based organization that provides tutoring and other direct educational services to people working toward increased literacy, including teaching of English as a second language, and works with other organizations that are committed to increasing literacy.

In 1990-91, LVA provided services to 52,338 people; the total number of volunteer tutors and administrators was 51,437. Thirty-five new affiliate organizations from 17 states were added to its network, for a total of 434 affiliates in 41 states.

Field services provided by LVA included training volunteers through the Reading With Children program and implementing literacy projects involving both children and their families in coordination with six affiliates in the Southeast.

Public-policy efforts included working with Congressional staff members and other literacy organizations to assure passage of the National Literacy Act and to secure budget support for non-profit literacy volunteer programs.

Key officials: Jinx Crouch, president; William Wilson, chairman of the Board of Directors; Barbara Bush, honorary chair.

UNITED JEWISH APPEAL

National Headquarters
99 Park Avenue, Suite 300
New York 10016-1599
(212) 818-9100

Period covered: Year ending December 31, 1991. (Financial data are for year ending June 30, 1991.)

Assets: $17,223,000.

Liabilities: Not listed.

Income: Collections from regular campaigns, $378,276,000; collections from special campaigns, $289,785,000; interest and other income, $176,000; total, $668,237,000.

Expenses: Campaign and related, $21,005,000; management and general, $3,037,000; distributions to agencies, $632,666,000.

Notes: Founded in 1939, the United Jewish Appeal serves as the main fund-raising organization for two overseas humanitarian agencies: the United Israel Appeal, which transmits funds to the Jewish Agency for Israel, and the American Jewish Joint Distribution Committee.

The Jewish Agency for Israel supports projects related to immigration, youth-education programs, rural settlement programs, and neighborhood renewal in Israel. The Distribution Committee operates in 40 countries worldwide, providing support programs to Jewish communities.

The UJA raises funds in conjunction with 189 local federations and 314 non-federated communities in the United States. In 1991, $335-million was raised through the UJA-Federation Regular Campaign, $252-million through the Operation Exodus Campaign, and $23-million through other campaigns. The Operation Exodus Campaign, designed to aid the absorption of Soviet Jews into Israel, expanded its goal from $870-million to $1-billion. Included in that total was some $130-million for the needs of new Ethiopian Jewish immigrants who had been rapidly evacuated from that country.

The UJA also raised funds for Project Renewal, which benefits urban-revitalization efforts in Israel, and for the Israel Education Fund, which enables donors to directly support the construction of cultural and educational facilities in that country.

Key officials: Rabbi Brian L. Lurie, executive vice-president; Morton A. Kornreich, chairman of the Board of Trustees; Marvin Lender, national chairman.